

Demystifying Generative AI

A guide to what's possible now, what's coming next, and how to use it

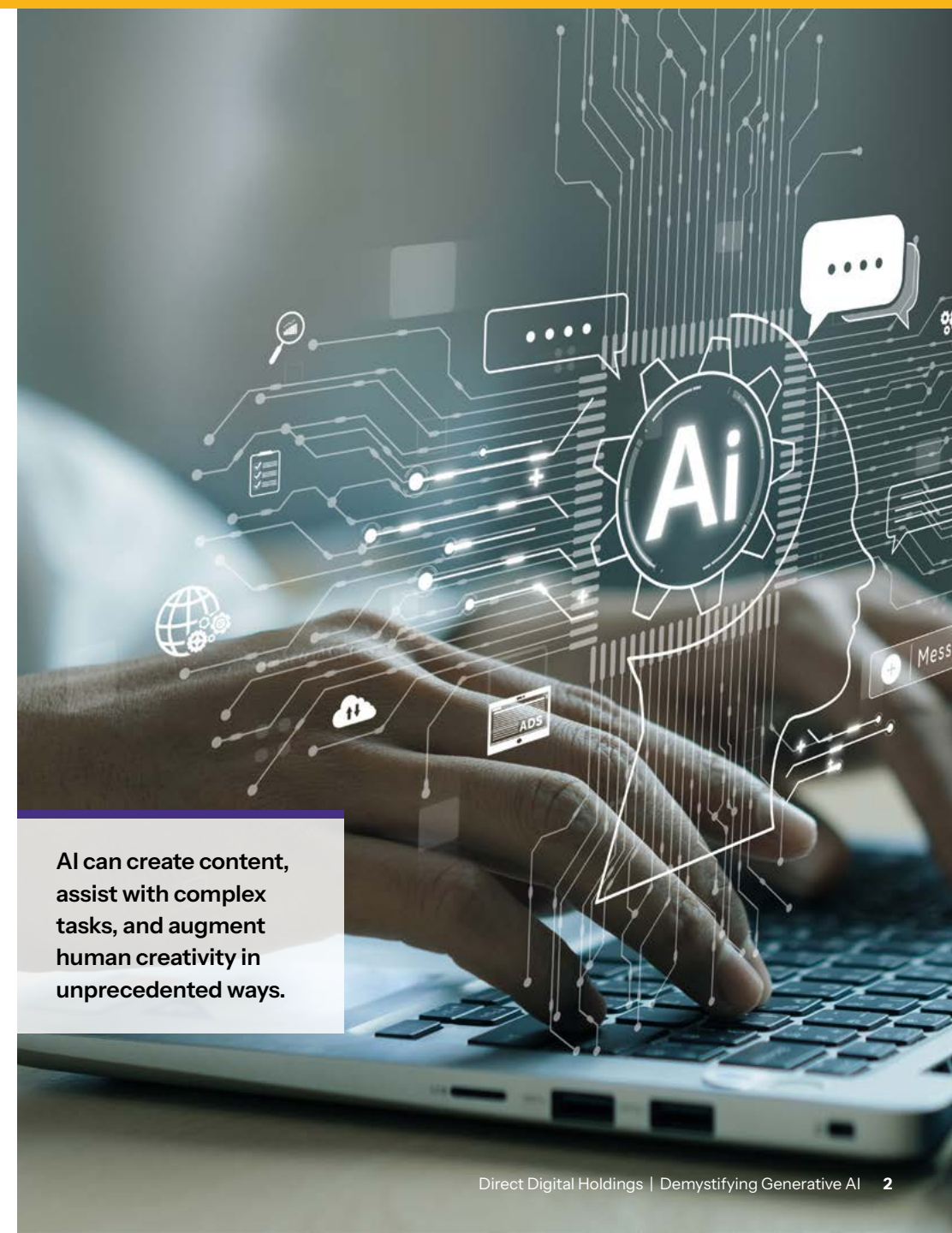
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Forward

Every day we hear stories about the ways generative AI is changing how we work. For many, separating hype from reality can be a challenge. While large enterprises have dedicated AI teams, many mid-market companies need practical, actionable guidance to stay competitive.

That's why we created this guide. We'll demystify generative AI in clear, practical terms. You'll learn what's possible today, what to watch for tomorrow, and most importantly, how to start using AI tools effectively in your business.



AI can create content, assist with complex tasks, and augment human creativity in unprecedented ways.

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Direct Digital Holdings is a fast growing, efficiency-focused solutions provider in the digital marketing and advertising sector. We are a family of brands serving direct advertisers, agencies, publishers, and marketers.





The AI Revolution: From Humble Beginnings to Creative Breakthroughs



Artificial intelligence (AI) has quietly shaped our lives for decades, powering everything from spam filters to product recommendations. But recent breakthroughs in generative AI mark a new era — one where AI can create content, assist with complex tasks, and augment human creativity in unprecedented ways. Let's explore how we got here and what it means for the future of work.

AI: Yesterday and Today

AI is a pretty old concept. In 1956, researchers organized the [Dartmouth Summer Research Project on AI](#), which officially established AI as a field. But long before the conference thinkers were already imagining a world aided by machines that can reason like humans. In 1936, Alan Turing developed the concept of the [Turing Machine](#), a theoretical model of computation that is still fundamental to computer science.

Since its earliest days, AI has captured the public's imagination, instilling wonder and fear in equal measures. Will it turn us into superhumans? Eliminate our jobs? Wipe us off the face of the earth? In general, the answer to all of these questions is no, as we'll see in this guide.



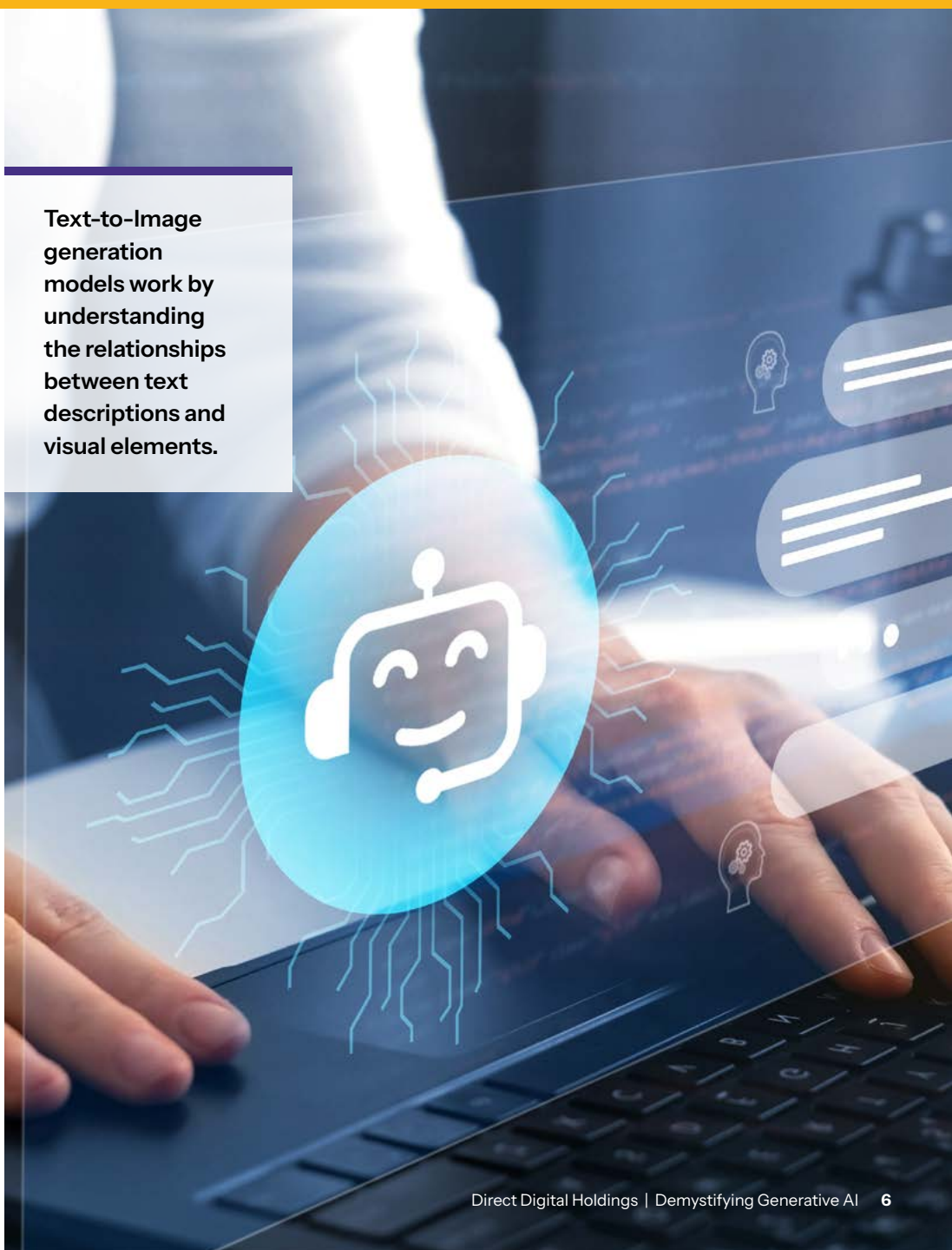
You use AI every day, whether you realize it or not. Your smartphone has AI applications, from image recognition and classification to geotagging and location-based sorting. AI recommends products you may like based on past purchases or what's currently in your basket as you shop online.

You also use a ton of AI applications in your day-to-day job. You count on a spam filter to weed out junk in your inbox and behind-the-scenes AI-driven analytics to identify trends, audience preferences, and engagement metrics for your social media content strategies.

The Cloud Computing Catalyst

In the mid-2010s AI was making as many headlines as it is today. It seemed that every brand was touting its AI functionality. Why the sudden hype?

Cloud computing dramatically reduced the costs of data storage and processing, making AI-powered tools affordable to create and offer to the market. Venture capitalists offered funding to numerous companies, especially in the field of digital advertising. In a few short years, the companies listed in the LumaScope grew astronomically (in 2011, there were only 150 unique companies in the famous graphic, by 2018 there were 7,000!). But the growth was hardly limited to digital ad tech. The steep declines in compute cost sparked the integration of AI into everyday business software and applications — from productivity tools to creative suites.



Text-to-Image generation models work by understanding the relationships between text descriptions and visual elements.

The Generative AI Breakthrough

In November 2022, OpenAI introduced ChatGPT to the market, and suddenly everyone is talking about AI again. But it's AI with an important twist: it's generative.

Generative AI is a branch of AI that can create new content — text, images, computer code, or audio — by learning patterns from existing data and using those patterns to generate original outputs.

Understanding the Technology

Make no mistake: generative AI represents a watershed moment in innovation. Take LLMs as an example. These models process language in a completely different way. Earlier versions of AI looked at words one at a time (like a child learning to read). LLMs, in contrast, use a [transformer architecture](#) that can maintain context over long sequences (i.e., it can take in whole chunks of text at once and understand how all the words relate to each other). This allows LLMs to understand and generate highly coherent and contextually appropriate responses to user prompts.

GANs, used to create new images, involve two AI networks — a generator and a discriminator — working together in a competitive way to create new images. An analogy is an art forger and an art expert. One

There are Multiple Types of Generative AI


Large Language Models (LLMs)	LLMs are AI systems trained on massive amounts of text data to understand and generate human-like language.
Generative Adversarial Networks (GANs)	GANs are models in which two neural networks compete against one another (thus the word “adversarial”). One creates content while the other tries to spot fakes, resulting in increasingly realistic synthetic images, videos, or audio.
Text-to-Image Generation	These models create images from text descriptions. They're trained on millions of image-text pairs to understand how to translate written descriptions into visual elements.
Text-to-speech/Speech to-Text models	These AI models convert written text into natural-sounding speech or transcribe spoken words into written text.
Multimodal models	These AI systems that can process and generate different types of content text, images, and audio) simultaneously allowing them to understand and create across multiple formats.

network, the generator, is the forger that produces images, while the other, the discriminator, acts as the art expert who tries to spot fakes. Through this back-and-forth process, the image-creating network gets better and better until it can generate real images. Once trained, users can request specific images or videos by describing what they want.

Text-to-Image generation models work by understanding the relationships between text descriptions and visual elements. Think of them as highly trained artists who have studied millions of images and their descriptions. When you provide a text description, these models break down your words into key visual components (like colors, shapes, objects, and composition) and create a new image matching those specifications. The models have learned which visual elements correspond to different words and phrases, allowing them to “draw” what you describe.

Text-to-Speech/Speech-to-Text models use pattern recognition to convert audio and written formats. These models act like highly sophisticated digital interpreters. Speech-to-text models listen to speech and write down what they hear, while text-to-speech models read text aloud in a natural-sounding voice. They’ve learned these skills by analyzing millions of human speech and writing examples.

Finally, multimodal models are the Swiss Army knives of generative AI, capable of doing a little of everything. They can understand and create text, images, audio, and video combinations. This means they can describe pictures in words, generate images from descriptions, or make presentations that combine text and visuals. Multimodal models are particularly useful for creating a narrative for training purposes from a PowerPoint deck.

A man with glasses is shown in profile, looking thoughtfully to the right. He is wearing a red t-shirt. The background is dark with glowing blue digital elements, including what appears to be a Google logo and various abstract shapes and lines, suggesting a tech or AI environment.

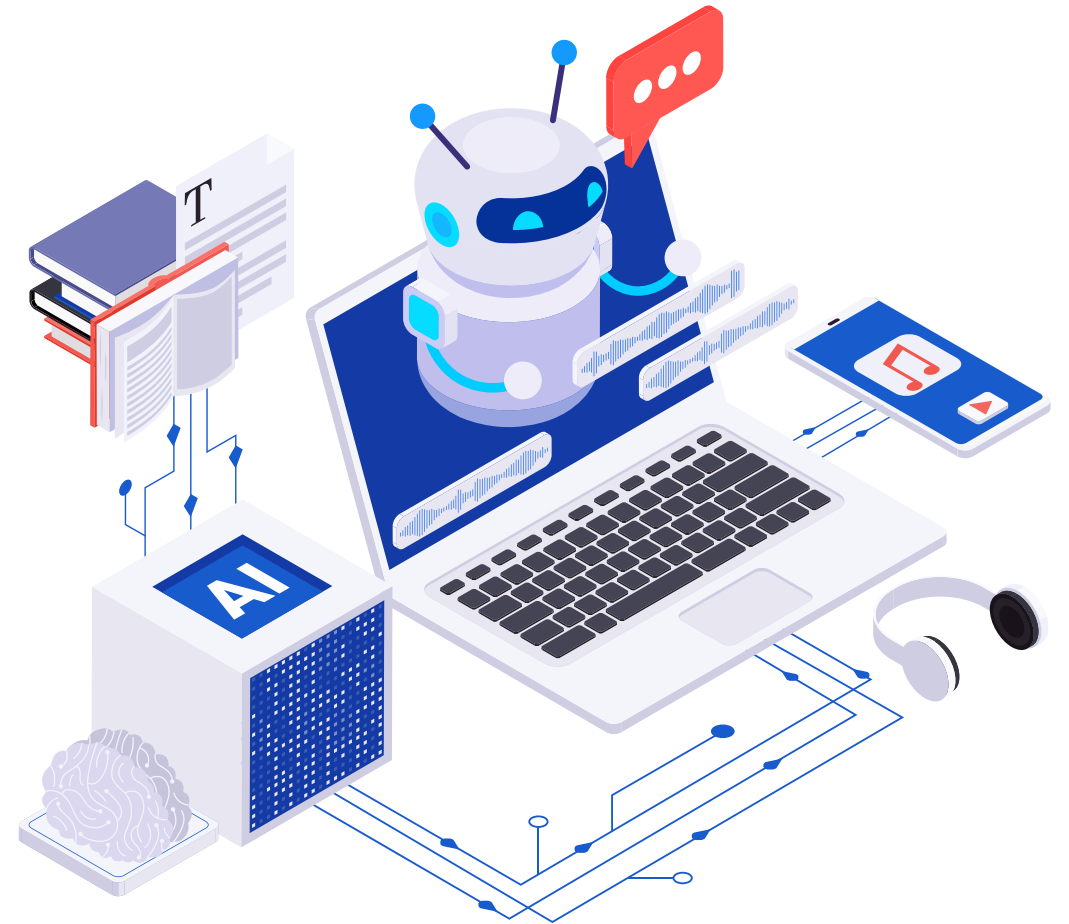
Using generative AI safely follows the same principle: If you have a solid understanding of what generative AI can and cannot do, you will be able to use it effectively and responsibly.

The Practical Approach

The above definitions and descriptions of how generative AI are very simplistic. Obviously generative AI is highly complex, underpinned by multiple models and approaches. Scratch the surface of LLMs and we encounter a dizzying array of submodels, including generative pre-trained (GPT) transformers, bidirectional encoder representations from transformers, retrieval-augmented generation (RAG) text-to-text transfer transformers (yeah, that's a thing; it converts various language tasks into text-to-text format) among many others.

But here's the thing: you don't need to understand the underlying technology to use AI tools effectively. Think of it like driving a car. It isn't necessary for you to understand automotive engineering in order to drive safely — you just need to know how to operate your vehicle and follow the rules of the road.

Using generative AI safely follows the same principle: If you have a solid understanding of what generative AI can and cannot do, you will be able to use it effectively and responsibly. A goal of this guide is to get you started on that understanding.




What Generative AI **Is** and **Isn't**



Understandably, there is a lot of confusion around generative AI. When OpenAI first rolled out ChatGPT, we read breathless claims in the press of its capabilities. Have an idea for a movie? AI can turn it into a full blown screenplay faster than you can say, “Nominated for an Oscar.” It can also write poems, essays, articles, and reports!

And then there was the dark side of generative AI. More than [a third of Americans](#) feared that AI will cost them their jobs. Hollywood [writers went on strike](#) in part due to generative AI. The Center for AI Safety [warned that](#) “Mitigating the risk of extinction from AI should be a global priority alongside other societal-scale risks such as pandemics and nuclear war.”

However, both the hype and fear stem from faulty assumptions about AI’s power. To use AI effectively, we need to understand exactly what it is — and isn’t.



AI is a productivity enhancer that will streamline workflows and eliminate the repetitive tasks that make you hate your job some days.



“Mitigating the risk of extinction from AI should be a global priority alongside other societal-scale risks such as pandemics and nuclear war.”

What Generative AI Is

From an everyday user's perspective, AI is a powerful assistant that enhances your natural abilities and helps you to work smarter. Think of it as a collaborative partner, one that can handle routine tasks so you can concentrate on that “extra something” that elevates the overall quality of your work. In simple terms, AI is:

- **A creative assistant** to help you jump-start ideas, refine content, and explore more options.
- **A data processor** that can analyze information and identify patterns faster than you hope to.
- **A communication aid** that can help you polish your writing so you don't come across as too gruff, or organize your notes into a coherent outline so you can get started on your writing project more quickly.
- **A learning tool** that can provide explanations (assuming you verify everything it tells you!)

While generative AI can provide all these benefits, success is optional. Using AI effectively requires understanding best practices and avoiding common pitfalls. That's why we've created a companion guide, [Best Practices for Generative AI Prompting](#).

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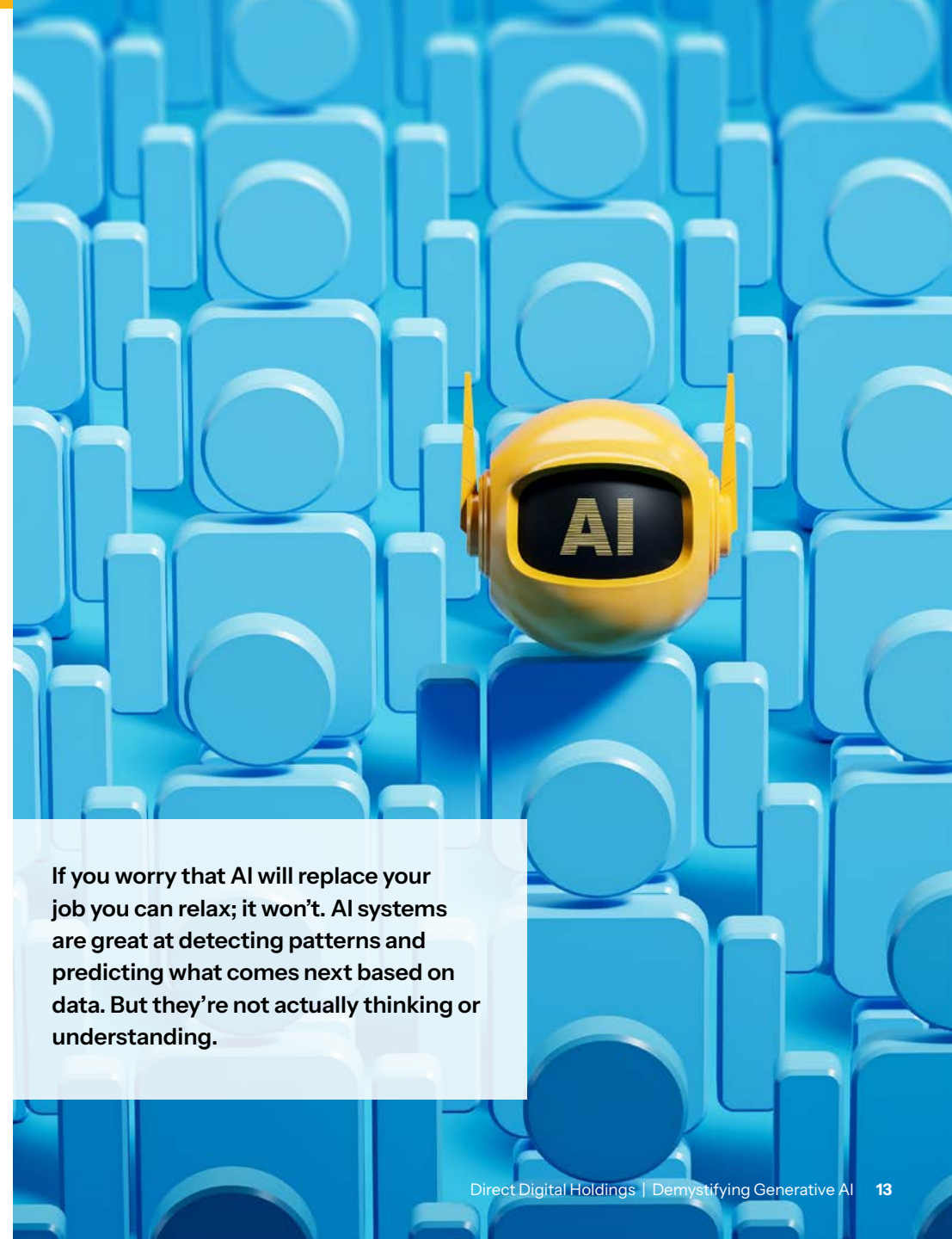
What Generative AI Isn't

Let's set the record straight about what generative AI isn't. With all the hype and headlines, it's easy to get carried away with hopes and fears. Here's a reality check on the limitations of today's AI technology:

Not a replacement for human creativity

Generative AI isn't a replacement for human creativity — it's a tool that builds on human ideas. AI systems learn from existing data, which means they're working with the creativity humans have already expressed. When you use an LLM, it's predicting what someone might say based on what people have said before. It can help refine and iterate your ideas, but the initial creative spark needs to come from you.

Take the movie Barbie. AI can help a screenwriter develop a sequel by analyzing the original's themes, characters, and dialogue patterns. But the breakthrough creative leap — turning a plastic doll into a smart, funny commentary on gender roles — can only come from human insight and imagination.

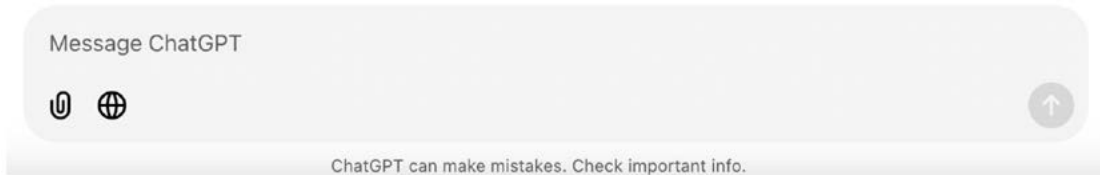


If you worry that AI will replace your job you can relax; it won't. AI systems are great at detecting patterns and predicting what comes next based on data. But they're not actually thinking or understanding.

Everyone in the creative field should use extreme caution in relying on AI-generated content in public communications. In early December 2024, Coca-Cola used generative AI to reimagine its 1995 commercial, The Holidays are Coming. Initially the business press praised the effort, but the consumer backlash was quick and harsh. The upshot: Generative AI is a useful tool for artists to explore ideas, but not for creating a final product.

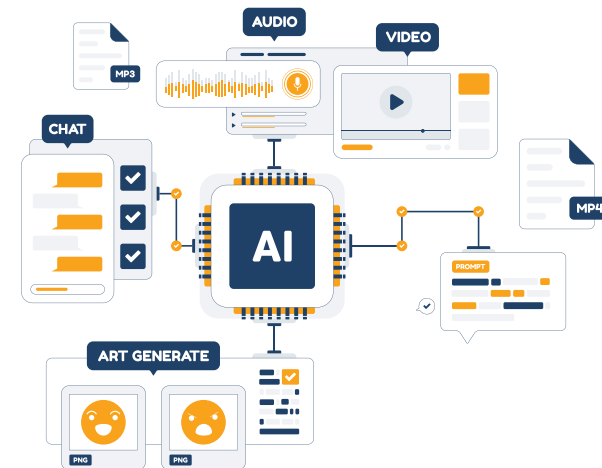
Not a source of guaranteed accurate information

AI tools come with clear warnings about potential inaccuracies — for good reason. These models can hallucinate, i.e., create content that sounds convincing but isn't factually correct. This happens because AI is designed to generate responses that fit patterns in its training data, not to verify facts.



At DDH, we view generative AI as a sophisticated pattern-matching tool — more like spell check than Google Search. Here's why:

Think of spell check; it suggests corrections based on patterns in words, but doesn't understand language. When you type "teh," it knows "the" is more common, but doesn't understand what the word or type means.



Similarly, AI tools like ChatGPT are complex calculators. They predict which words should come next based on their training data, but they don't actually understand or verify information. Just as your calculator processes numbers without understanding math, AI processes words without understanding meaning.

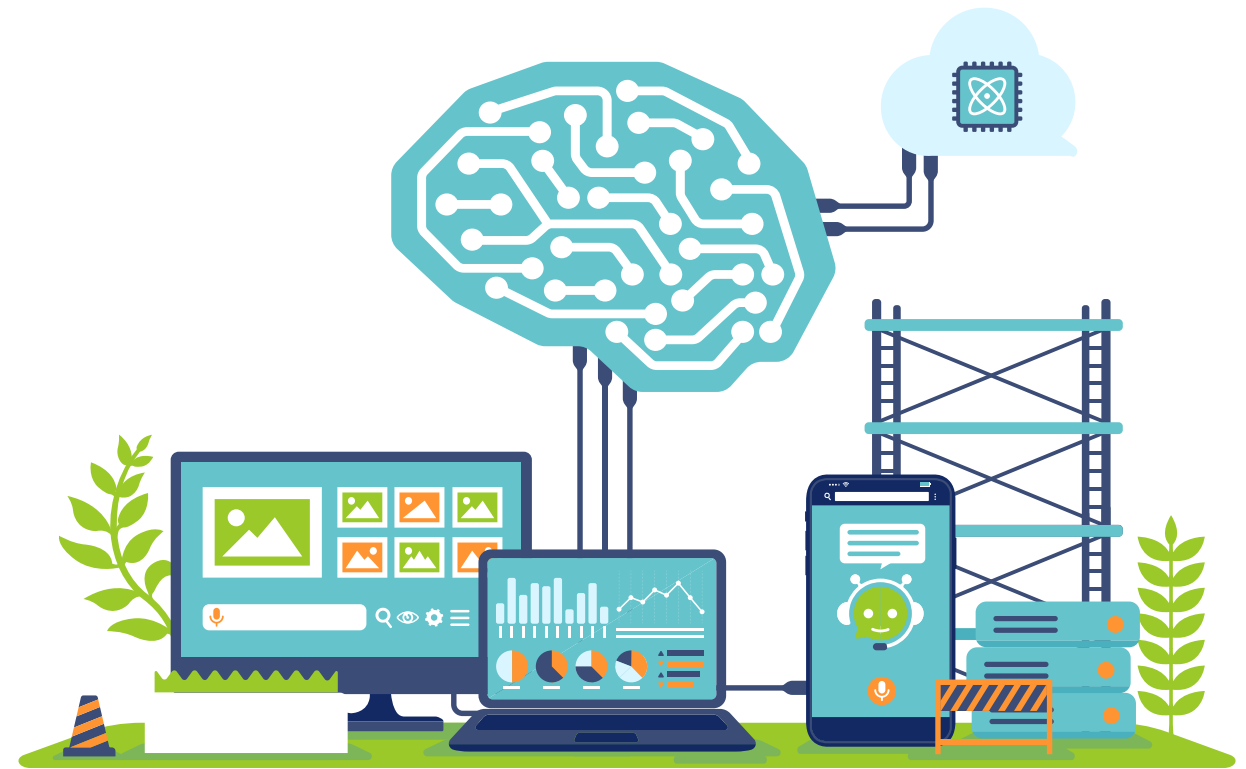
If you want to understand more about this, check out the book, *Feeding the Machine: The Hidden Human Labor Powering A.I.*, by James Muldoon, Mark Graham and Callum Cant.

This is why prompts matter so much. Prompts are specific instructions that tell the AI how to format and present information (it's like telling a calculator which operation to perform). The better your prompts, the better your results.

Not a source of original content

Generative AI creates content by combining and remixing its training data - making all its responses inherently derivative. Unlike humans who can generate original ideas, AI can only produce variations based on what it has already seen. That's why questions of copyright and ownership are central to current legal battles, such as the [New York Times complaint against OpenAI](#).

When using AI tools, you must verify that any outputs you use don't inadvertently plagiarize existing work. Remember, these models are trained on real content created by real people. While they can help refine and iterate ideas, they shouldn't be treated as a source of guaranteed original material.



Going forward, we may see a decline in the quality of AI-generated content. As generative AI tools become more accessible, there's an increasing amount of AI-generated content that is published online. As a result, AI models are now inadvertently trained on this AI-generated content, [creating a feedback loop and leading to lower quality content](#) (a phenomenon that researchers refer to as “Model Autophagy Disorder” or MAD).

Pre-Programmed Boundaries

AI depends entirely on human guidance to function, and when you use it, you are restricted to boundaries that have been set by prompt engineers ([a growing field](#)).

When you use a tool you enter instructions in the form of prompts, but your prompts aren't the only ones the model will follow. All AI tools come with pre-programmed prompts that shape how they generate their outputs. Going back to the calculator analogy: while you input the numbers, the calculator's engineers previously determined how it processes and displays results.

This hidden programming is why AI responses seem so natural and authoritative. The system is designed to format information in familiar, confident ways. But users are working within boundaries set by prompt engineers who pre-programmed how the AI interprets questions and structures answers.



The key is matching the right AI solution to your specific business needs and use cases — which is why understanding the landscape of available tools is critical for successful implementation.

This, by the way, is one of the factors that is leading to the sense of “sameness” in AI-generated content.

Not Capable of True Understanding or Context Awareness

If you worry that AI will replace your job you can relax; it won't. AI systems are great at detecting patterns and predicting what comes next based on data. But they're not actually thinking or understanding.

Take reading a novel. While AI can quickly identify word patterns and generate responses about the text, it misses the deeper elements that humans naturally grasp — emotions, subtle implications, and poetic beauty. It works with statistical probabilities, not true comprehension or common sense.

For this reason, AI isn't coming for your job.

Not a One-Size-Fits-All Solution

Different businesses need different AI tools to match their unique challenges and workflows. A developer might rely on GitHub Copilot for coding assistance, while a sales team might use Waldo for competitive research. Marketing teams often gravitate toward content-generation

tools for campaigns, while data analysts typically need specialized AI tools for pattern recognition and prediction.

The variations extend across industries:

- **Healthcare organizations** prioritize AI tools with strong privacy protections and medical terminology understanding
- **Financial services firms** focus on AI systems that can process market data and regulatory compliance
- **Educational institutions** look for tools that can assist with curriculum development and student engagement
- **Manufacturing companies** leverage AI for quality control and supply chain optimization
- **Retail businesses** use AI for inventory management and customer service automation

The key is matching the right AI solution to your specific business needs and use cases — which is why understanding the landscape of available tools is critical for successful implementation.

Not an existential threat

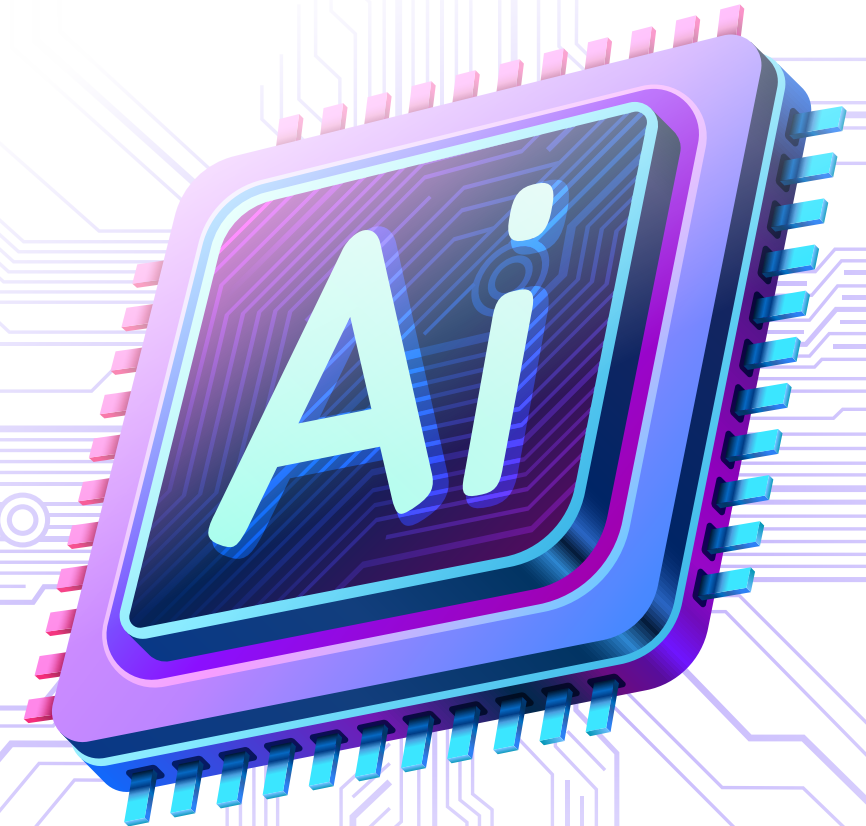
Okay, we realize that some famous people are espousing the notion that AI can wipe out humanity, but you can file this in your folder of things you don't need to worry about.

Some prominent figures warn that AI could wipe out humanity – but this fundamentally misunderstands how AI works. You now understand that AI models operate within human-defined parameters and require carefully labeled training data. They can only spontaneously develop capabilities within their training.

The Center for AI Safety's dire warning about extinction-level AI risks [serves as a distraction from the real, and current concerns about AI](#), including built-in biases and [harmful applications](#). It's worth noting that many who signed this warning are associated with companies whose AI products have documented negative impacts on society.

Again, the book *Feeding the Machine* discusses this implausibility of an AI-created extinction-level event in detail.

This overview helps demystify generative AI's capabilities and limitations. For practical implementation guidelines, security protocols, and best practices, download [DDH Best Practices Guide for AI Prompting](#).



Why Bring AI into Your Workplace?



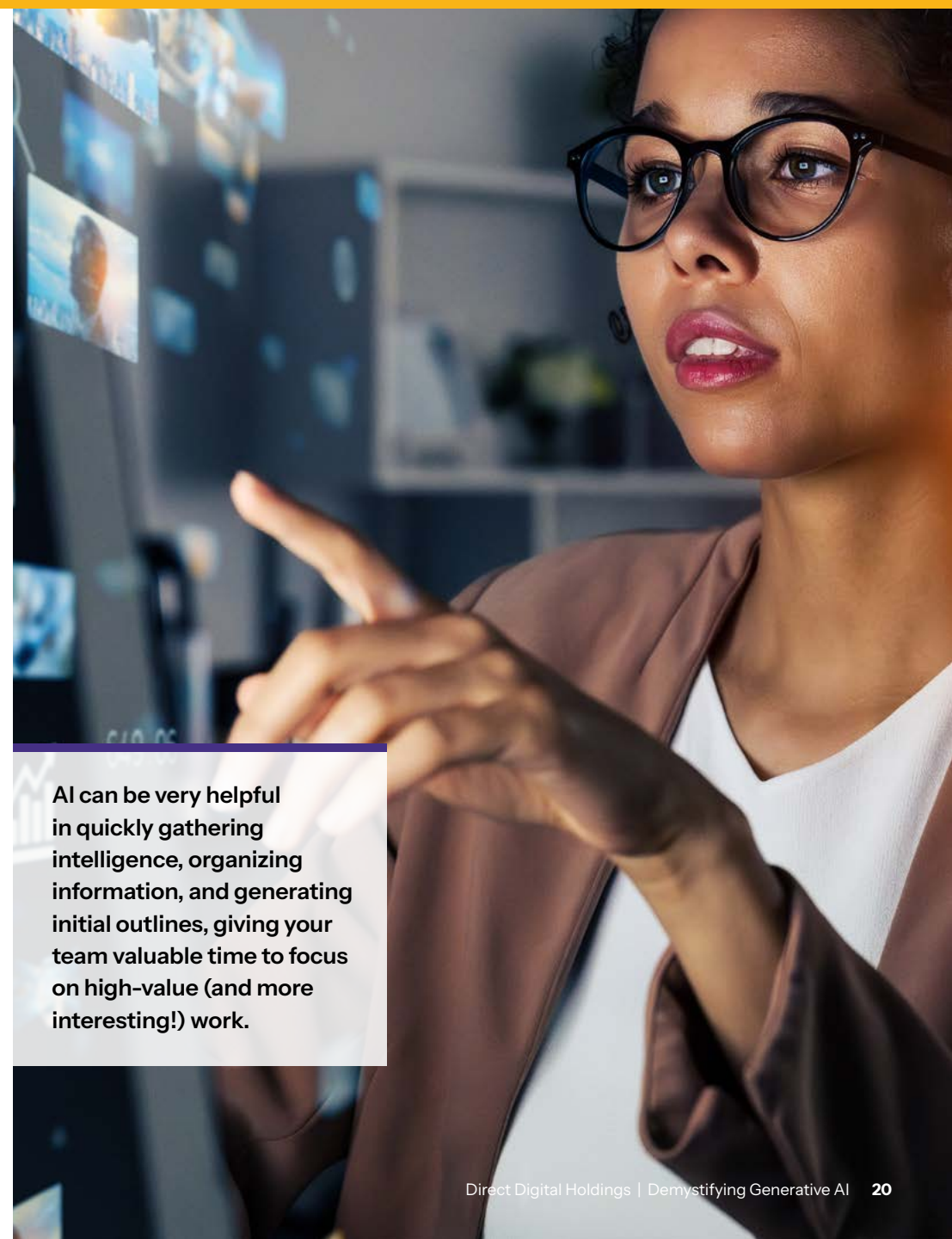
Generative AI offers compelling benefits for modern businesses, from streamlining workflows to boosting employee satisfaction. While each organization's journey with AI will be unique, several universal advantages make AI adoption worth considering:

Elevate work quality

Generative AI can elevate the overall value of fundamentally technical work tasks. SEO is the perfect example of this. Because SEO is a mathematical equation, AI tools can optimize content following these formulas more efficiently than manual methods. This creates an interesting dynamic: AI won't just save time — it will raise the quality baseline for everyone. Organizations that don't use AI for tasks like SEO will find themselves competing against technically superior content. The stakes are higher now. The key is recognizing where AI can handle technical complexities, freeing humans to focus on creative and strategic work.

Ease critical pain points

AI can help eliminate daily challenges that make our jobs feel like a grind. In any business, time constraints often force employees to rush through research, skip strategic planning, or cut corners on deliverables. AI can be very helpful in quickly gathering intelligence, organizing information, and generating initial outlines, giving your team valuable time to focus on high-value (and more interesting!) work.



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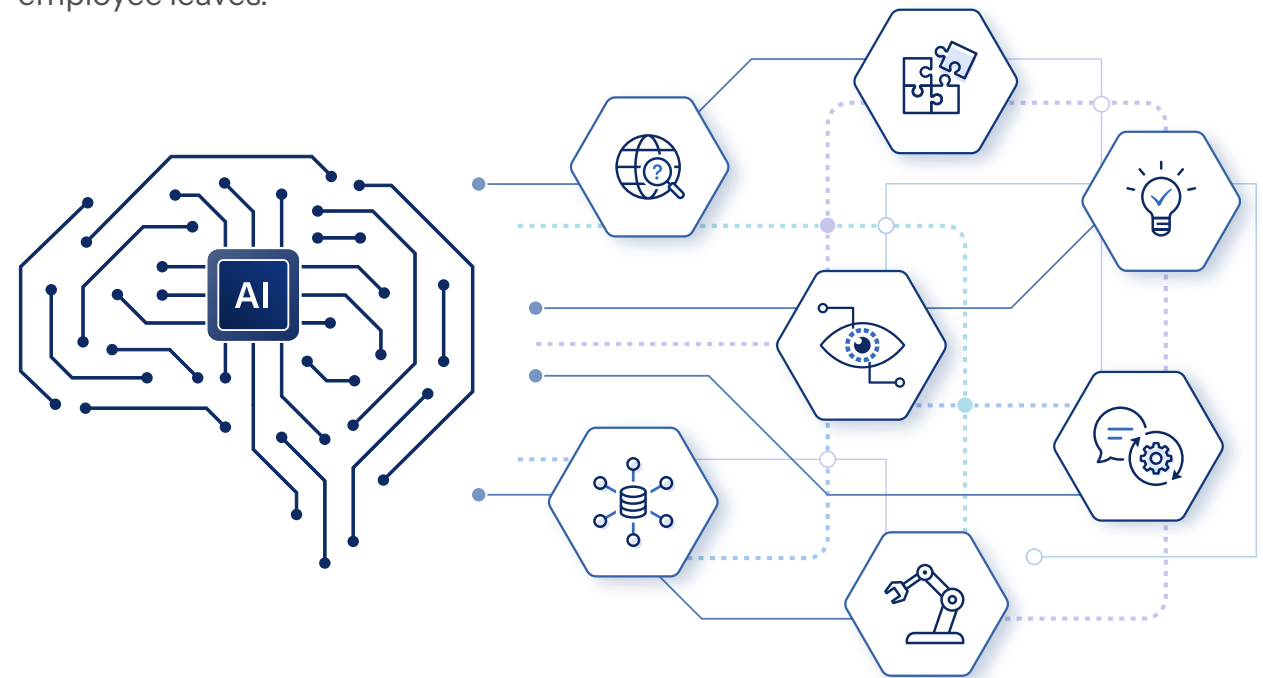
For data analysis, AI can quickly process large amounts of information and surface trends and patterns that may take humans hours or days to identify. It can analyze reports, compile statistics, and generate insights that help inform better business decisions.

When team members work more efficiently, the entire organization benefits. Employees spend less time on routine tasks and more time on meaningful work that drives business value and, let's face it, employee satisfaction.

Improve Employee Retention

Happy employees stay with their companies longer — it's that simple. Job satisfaction increases when team members spend their days doing meaningful work instead of repetitive tasks. AI helps achieve this by automating the mundane aspects of work that can lead to burnout and frustration.

This increased job satisfaction has a real business impact. Lower turnover means reduced recruitment costs and less time spent training new employees. More importantly, it means maintaining institutional knowledge — those invaluable insights about clients, processes, and industry relationships that leave when an employee leaves.



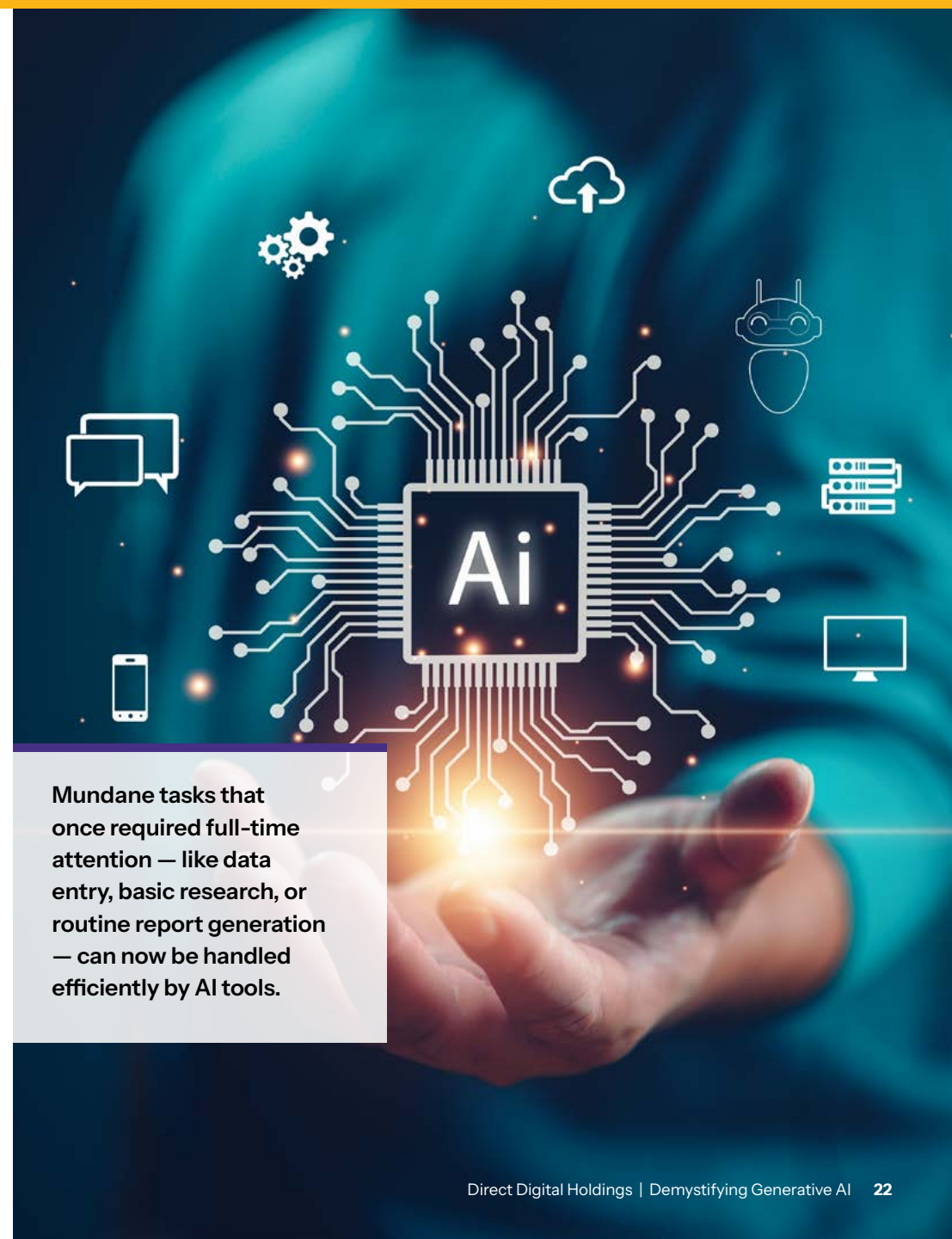
Promotes Equality

To understand what DDH means by this, let's go back in time. Before email, office communication relied heavily on secretarial work — typically assigned to women regardless of their qualifications. Even in the 1980s, women were routinely given typing tests for any position they applied for. This created a career trap: women were pegged into administrative roles.

Email obliterated this dynamic by making it faster and easier for people to create and send their own office communications. Put another way, email served as a great equalizer.

AI also has the potential to promote equality in the workplace. Mundane tasks that once required full-time attention — like data entry, basic research, or routine report generation — can now be handled efficiently by AI tools. This means everyone can focus on higher-value work that showcases their true capabilities regardless of position or background.

When routine tasks are automated, advancement depends more on creativity, strategic thinking, and problem-solving abilities rather than who gets assigned the grunt work.



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Drives Business Value

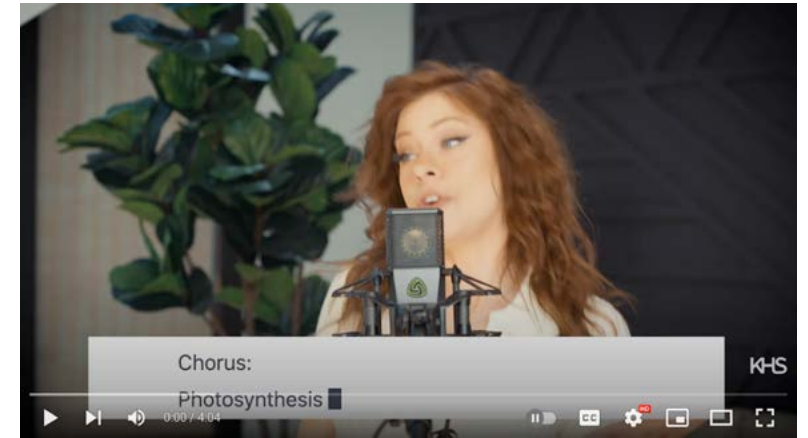
Implementing AI tools creates both immediate and long-term returns for your team. The most obvious benefit is time savings — when AI handles routine tasks like data aggregation, transcribing interviews, and organizing thoughts, your skilled employees can focus on higher-value work. Those saved hours translate directly to bottom-line benefits.

Productivity gains multiply this value. Teams can handle more projects, respond to clients faster, and take on work they previously had to decline. The quality of work also improves as employees have more time for strategic thinking and creative development.

However, the most significant returns often come from improved employee satisfaction. When people spend less time on grunt work, and more time on meaningful tasks, they're happier in their jobs and more likely to stay. This reduces costly turnover, preserves valuable institutional knowledge, and creates a more dynamic workplace.

Beyond Business Benefits

While we've focused on business benefits, let's pay attention to something important: generative AI can be fun to use. It encourages creativity and experimentation in unexpected ways, such as when Kurt Hugo Schneider asked ChatGPT to [create a Lizzo song about photosynthesis](#). It's a playful tool that can help with everything from solving crossword puzzles, writing birthday cards, and generating puns.



Looking Ahead



We've demystified generative AI, what it is, what it isn't, and why it matters for your business. While AI isn't magic or a replacement for human intelligence, it's a powerful tool that can transform how your teams work. The key is implementing it thoughtfully and responsibly.

To help you plan for AI journey, the DDH AI Council has prepared other tools and guides for you, including:



Practical Generative AI Use Cases & Tools for:

- Agencies
- Destination Marketing Organizations
- Higher Education Enrollment Marketing



Best Practices for AI Prompting



The Generative AI Roadmap



Responsible AI: A Beginner's Guide



The Role of Data in AI Quality

[Click Here](#)

Glossary of Terms

Artificial Intelligence (AI): Models designed to perform tasks that typically require human intelligence.

Generative AI: AI systems that create new content (text, images, code, etc.) based on patterns learned from existing data.

Large Language Models (LLMs): AI systems trained on massive amounts of text to understand and generate human-like language. Examples include GPT-4 and Claude.

Prompt: The input (question, instruction, or request) given to an AI system to generate a response.

Prompt Engineering: Crafting adequate instructions for AI systems to get desired results.

Hallucination: When AI generates plausible-sounding but incorrect or fabricated information.

Training Data: The existing content used to teach AI systems patterns and behaviors.

Transformer Architecture: The technology that allows AI to process language in context rather than word-by-word.

Multimodal: AI systems that simultaneously work with multiple types of content (text, images, audio).

Disclaimer: The responses provided by this artificial intelligence system are generated by artificial intelligence based on patterns in data and programming. While efforts are made to ensure accuracy and relevance, the information may not always reflect the latest data and programming news or developments. This artificial intelligence system does not possess human judgment, intuition, or emotions and is intended to assist with general inquiries and tasks. Always conduct your own independent in-depth investigation and analysis of ANY information provided herein, and verify critical information from trusted sources before making decisions.

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